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Leveraging Business Continuity Standards:

A Practical Guide for Making Standards Work for You

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Agenda

- Part 1: Standards and Governance
  - Standards as a program development tool
  - Compare and contrast two standards
  - The issue of management support
  - The Program Governance document
  - Workshop #1
- Break
- Part 2: Self Assessment
  - Preparing for a self assessment
  - Executing the self-assessment
  - Closure and reporting
  - Workshop #2

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Introduction

- The goal of this workshop is to provide you with a practical guide to using a business continuity standard to *develop* and *assess* your program.
- If your company is regulated, you already know what you need to do.
- What about the rest of us?
  - Can standards be used effectively – without creating a "compliance nightmare?"
    - Our belief is that a standard can be used as an effective tool in developing a business continuity program.
- To begin, let's explore several interrelated notions that touch on this question.

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Standards & Governance: Easier than the Vulcan Mind Meld!

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Two Standards

- Before we go any further, let's better understand the standards we're talking about.
- We're going to focus on two:
  - ISO 22301
  - NFPA 1600
- Why those two? Because:
  - They are both widely used in North America (and, in the case of ISO 22301, much of the rest of the world).
  - They represent two distinct perspectives.
  - At the end of the day, they both address the same fundamental requirements.

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Two Standards

- The good news: both ISO 22301 and NFPA 1600 require:
  - Various program management and control functions.
  - Planning functions in the form of a Business Impact Analysis and a Risk Assessment.
  - Core operational functions:
    - Incident Management ("Crisis Management")
    - Business Process Recovery ("Business Continuity")
    - Technology Disaster Recovery
    - Emergency Response
    - Crisis Communications

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Two Standards

- Summary
  - Either standard will work in terms of defining a comprehensive and robust business continuity program.
  - As noted, both define the basic elements of a program in fundamentally equivalent terms.
  - Therefore, a preference for one over the other will be largely based on factors other than core content.

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Two Standards

FAILURE IS *Always* AN OPTION

- The Golden Rule of standards compliance:
  - Absolute conformity to a standard does NOT always translate into an effective functional capability.
  - Compliance certifications are NOT a substitute for rigorous exercises and regular (annual) critical program reviews.

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How To Leverage a Standard

- Picking a standard to use is the easy part! The next question is how to effectively leverage the standard to move your program forward.
- Two general approaches:
  - Brute force.
  - "Not brute force."
- Brute force approach:
  - Lobby to have your company adopt a policy mandating fully compliance to a standard.
  - Insist on <u>strict</u> compliance, no matter what.
  - Use the standard as a bludgeon to force cooperation and gain budget.
- We do not recommend the brute force approach.

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How To Leverage a Standard

- Core idea on using a "not brute force" approach: build your foundation in a Program Governance model.
- In general, a policy mandate is too narrow – it boxes you in to a "do or die" approach.
- The better alternative is to create a more flexible mandate, using a Program Governance framework as the implementation tool.
  - Lobby to have your company adopt a policy that requires an "effective business continuity capability."
  - Be prepared to compromise on certain requirements when doing is in the best interest of the company.
  - Work with your internal and external auditors to establish pragmatic criteria for measuring compliance.

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Justification Primer

- Before we talk about the Governance document, let's review some basics.
- The ideas we're exploring tie into a much-discussed industry topic: **gaining management support.**
- Many practitioners struggle when trying to:
  - Have the business continuity program recognized
  - Gain budget/resources to get the job done properly

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Justification Primer

- A management guideline that everyone should understand:
- With very few exceptions, executives look for one of three things before they'll fully commit to an initiative or project:
  - Increase Revenues
  - Reduce Expenses
  - Manage Risks

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Justification Primer

- It follows that to "sell" business continuity, we have to resonate to one of those touchstones. But which one?
  - <u>Revenue</u>: we see recurring efforts to link revenue opportunities with business continuity, but we believe those links are precarious, at best.
  - <u>Expense Reduction</u>: this is a tough sell. Most Business Continuity programs tend to spend money a lot more than they save it!
  - <u>Risk Management</u>: for most of us, this is by far the most attractive option; it's our "natural fit."
- But linking business continuity to risk management is not always the sure-fire winner we might assume.
- Let's take a closer look at why.

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Justification Primer

- Risk management is not an attractive investment for many senior managers. Why?
- There are three ways to invest in risk management, and each has a perceived downside:
- <u>Prevention (Avoidance)</u>:
  - If a disaster doesn't occur there's often no way of telling if the prevention effort was the reason.
- <u>Mitigation</u>
  - If a disaster does occur, there's often no way of telling if the mitigation effort reduced the impact or not.
- <u>Insurance (Transfer)</u>
  - If a disaster doesn't occur, the company may have spent money on insurance that it didn't need.

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Justification Primer

- Given the previous, what's the answer? If we need management support, what are the best approaches?
- We recommend the following:
  - Don't overstate your company's risks or the program's capabilities.
  - Build a case, based on solid research, for the impact mitigation potential of a business continuity program.
  - Build cooperative relationships with your internal and external auditors.
  - Draw direct comparisons with your company's insurance coverage and cost.
  - Avoid a "blank check" perception by creating a multi-year program development and maintenance budget.
  - Set management expectations by crafting a Program Governance document.

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Governance Document

- Now we see that the Governance Document may serve multiple purposes:
  - Promote executive management understanding and support, and codify that support in the form of a sensible business continuity policy.
  - Define the role that a business continuity standard will play in defining the program.
  - Create a sense of budget certainty in the form of requirements for program exercises and reviews.
- Now let's take a look at what the Governance Document should contain.

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Governance Document

- We like to divide the Governance Document into two major sections:
  - Administration and Planning
  - Operational
- Each section contains elements keyed to the business continuity standard that's been selected.
- We'll address the major components of each section in turn.

RULES
1. YOU CAN....
2. YOU CAN'T...
3. YOU CAN....
4. YOU CAN'T

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Administration and Planning

- This section typically contains the following elements:
  - Management and Structure
    - Management Commitment
    - Policy
    - Scope and Objectives
    - Roles, Responsibilities, and Authorities
    - Legal and Regulatory Requirements
  - Program Administration
    - Monitoring and Measuring
    - Management Review
    - Corrective Actions and Continuous Improvements
    - Exercises and Tests
    - Training

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Administration and Planning

- Continued:
  - Program Planning
    - Business Impact Analysis
    - Risk Assessment
    - Business Process Recovery Strategies

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Operational

- This section typically contains the following elements:
  - Incident Management
  - Emergency Response
  - Business Continuity (Business Process Recovery)
  - Technology Disaster Recovery
  - Crisis Communications
- Many companies also include Pandemic Response as a distinct operational element – a practice we highly encourage!

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Workshop #1:
Building a Business Continuity
Program Governance Document

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Workshop

- For this portion of the session please group yourselves into teams as directed.
- Each team will need to:
  - Nominate a spokesperson
  - Complete the assignments
  - Report out your team's results at the end of the workshop session

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Workshop Assignment

- Please develop team responses to the following situation:

  "You have been directed to prepare a Program Governance document for your organization's Business Continuity Management Program. Describe the key points that you want to include in each major section of the document."

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Management and Structure

- What is the difference between management "support" and management "commitment?" How does that translate for the purpose of the document?
- How will you address the "standards question" in the corporate business continuity policy statement?
- Does the program need a Steering Committee; if so, why? What level of management should participate?
- How will you define the responsibilities and authorities of mid-level ("departmental") management?

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Administration

- What metrics would you require to satisfy the "monitoring and measuring" element?
- How would you address the "management review" element?
- Many companies default to a "once a year" standard for program exercises. Do you think this is adequate? Should any exceptional circumstances be addressed in the document?
- Should IT Disaster Recovery exercises be included within the scope of the document? What political complications would doing so introduce in your organization?
- How often should the BIA and Risk Assessment be refreshed? Why?

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Operational

- Should the Incident Management Plan be exercised in isolation or in conjunction with Business Continuity Plans? Why or why not?
- Should the results of Technology Disaster Recovery Plans be evaluated by the IT group, the business continuity group – or by both? Why or why not?
- Should the Crisis Communications Plan be exercised in isolation or in conjunction with the Incident Management Plan? Why or why not?
- Should a Pandemic Response Plan be a requirement? If yes, how often should it be exercised?

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Time for a 10 Minute Break!

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Part 2:
To assess, or not to assess;
that is the question!

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Why Assess?

- Internal assessments of emergency management / BCP programs are highly recommended.
  - Executive management and the Board of Directors need assurance regarding the effectiveness of the planning efforts. They want to know:
    - The plans will work when needed.
    - The investments in the program are obtaining good value.
  - An objective internal assessment of a program can provide objective feedback for program development and refinement.

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Conducting a Self-Assessment

- Whether you conduct a self-assessment in anticipation of a formal audit, or to benchmark your business continuity program, the steps are the same.
- There are three phases to an assessment:
  - Preparation
  - Execution
  - Closure and Report

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Preparing for the Assessment

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Conducting a Self-Assessment

- Preparation
  - Make sure you have senior management approval _and_ support.
  - Identify the parties you'll need to interview and talk to them <u>before</u> you start; let them know what to expect.
  - Review your standard carefully; make sure you understand what each objective requires.
  - Develop a scorecard before you start (example on the next slide).
  - Determine how results will be reported (and to whom) <u>before</u> the examination begins.

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Conducting a Self-Assessment

■ (red)	Item falls materially short of an auditable standard.		
★ (yellow)	Item is not fully compliant with an auditable standard.		
■ (green)	Item addresses all material requirements of an auditable standard.		
■	Item is not applicable to this examination.		

	■	★	■	■
Objective 1: Examination Scope	0	0	0	4
Objective 2: Board and Senior Management Oversight	0	0	6	0
Objective 3: Business Impact Analysis (BIA) and Risk Assessment	0	0	5	0
Objective 4: Risk Management	0	3	3	0
Objective 5: Business Continuity Plan (BCP) - General	0	1	0	0
Objective 6: BCP - Hardware, Backup, and Recovery Issues	1	1	2	2
Objective 7: Security Issues	0	0	6	0
Objective 8: Pandemic Issues	0	0	11	0
Objective 9: Outsourced Activities	0	0	1	6
Objective 10: Risk Monitoring and Testing	0	8	6	0

Totals	1	13	40	12
Percent of Total: Red	2%			
Percent of Total: Yellow		24%		
Percent of Total: Green			74%	

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Conducting a Self-Assessment

FFIEC Business Continuity Planning (March 2008)	Review Code			
	R	Y	G	N/A
	■	■	■	■
	1	5	10	2
Objective 1: Examination Scope				
1. Review examination documents and financial institution reports for outstanding issues or problems.				
2. Review management's response to audit recommendations noted since the last examination.				
3. Interview management and review the business continuity request information to identify:				
4. Determine management's consideration of newly identified threats and vulnerabilities to the organization's business continuity process.				
Objective 2: Board and Senior Management Oversight				
1. Determine whether the board has established an on-going, process-oriented approach to business continuity planning that is appropriate for the size and complexity of the organization.				
2. Determine whether a senior manager or committee has been assigned responsibility to oversee the development, implementation, and maintenance of the BCP and the testing program.				
3. Determine whether the board and senior management has ensured that integral groups are involved in the business continuity process (e.g. business line management, risk management, IT, facility management, and audit).				
4. Determine whether the board and senior management have established an enterprise-wide BCP and testing program that addresses and validates the continuity of the institution's mission critical operations.				

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Assessment Scope

- A comprehensive assessment should include all major program elements:
  - Program governance elements.
  - Program planning (BIA, Risk Assessment)
  - Incident management structure and plan.
  - Emergency response plans.
  - Disaster Recovery/IT service continuity plans.
  - Business Process Recovery plans.
  - Crisis Communications plan.
  - Pandemic Response plan

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Assessment Scope

It is equally important to clarify if there are any aspects of the program that are out of the scope of the assessment. Examples:

- Entities or items that will be examined separately.
- Department, process, or system in transition.
- Elements not included for any other reason.

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Assessment Scale

- The complexity of a program assessment can be scaled from very simple to very complex.
- A *basic* audit might include:
  - Quick "health check."
  - Plan review(s).
  - Interviews with key stakeholders.
  - A "dashboard" summary showing the overall status (e.g. 'green,' 'yellow,' or 'red') of a few key program elements.

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Assessment Scale

- A *more complex* assessment might involve in-depth analysis of every aspect of the program, including:
  - A review all documentation to assess comprehensiveness and completeness.
  - An detailed evaluation of the planning elements (Risk Assessment and BIA).
  - Evaluation of BCP/DR test results.
  - Observation of mock drills.
- A complex assessment would also tend to examine most or all of the detailed requirements of a standard.

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Executing the Assessment

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Execution

- General rules
  - Be objective. Examine the evidence presented and evaluation from the perspective of an outsider.
  - Be brutally honest. The goal is to identify deficiencies, not to gloss over them.
  - Ask questions. The respondents may not understand what you're looking for; help them help you.
  - Listen carefully and probe deeply. Things are rarely as bad (or as good) as they seem at first blush.

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Execution

- Focal points for the assessment:
  - Governance structure, especially management commitment, ongoing engagement, and oversight.
  - Program roles, responsibilities, and authorities.
  - Planning elements (BIA and Risk Assessment).
  - Operational elements.
  - Program participant training.
  - Exercises: what is exercised, how often, and how well are exercise results documented?
  - Change management and continuous improvement protocols.

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Fieldwork

- Auditors examine the program based on the goals and methods decided upon in the earlier phases of scope definition and planning.
- The fieldwork will likely include a series of audit tests, as described on the next slide.

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Fieldwork

- Interview key stakeholders and participants in the program.
- Examine program documentation; ensure there are no material gaps.
- Detailed review of individual BCP and DR plans, verifying they are complete, accurate, and up-to-date.
  - For example, testing a sample of the contact details for key players to confirm whether their phone numbers are correct.

- Look for defined recovery times and evidence that they can be met.
- Review testing plans and the results of any tests already conducted.
- Evaluate relevant employee preparedness and familiarity with procedures.
- Review contractor and service provider readiness efforts.

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Closure and Reporting

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Closure and Reporting

- The Assessment Report typically includes four major components:
  - Statement of objectives and scope.
  - Statement of methodology.
  - Observations and findings, with emphasis on material standards-based deficiencies.
  - Recommendations for corrective actions.

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Closure and Reporting

- Tips for creating the Assessment Report:
  - Avoid making broad judgments in your assessment.
  - Put subjective statements into full context.
  - Be ready to explain your assessment; include documentation where appropriate.
  - Don't pull any punches (if you can avoid it).
  - Be prompt. Once the examination has been completed, get the results out as quickly as possible.
  - Work with your management team to track deficiencies all the way through resolution.
  - Set a date for a follow up/next examination.

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Closure and Reporting

- Assessments need to strike a careful balance between the strict requirements of a standard versus the realities of managing an organization with limited resources and competing priorities.
- Accordingly, the report is usually a iterative process of reviewing and modifying the report with management to reach a result that reflects both interests.

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Workshop #2:
Conducting a Business Continuity
Program Self-Assessment

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Workshop

- For this portion of the session please group yourselves into teams as directed.
- Each team will need to:
  – Nominate a spokesperson
  – Complete the assignments
  – Report out your team's results at the end of the workshop session

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Workshop Assignment

- Please develop team responses to the following situation:

  "You have been directed to prepare and execute a self-assessment of your organization's Business Continuity Management Program. Describe the actions you will take in each of the three major steps of the examination: Preparation, Execution, and Closure and Report."

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Preparation Phase

- What standard will/must you use, and why?
- What level of management support will you expect to receive?
- Who will you talk to before the audit begins, and why?
- What type of political pressure will you anticipate receiving and how will you handle it?

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Execution Phase

- What type of documentation will you need to collect to support the audit?
- Would you anticipate having to make in-progress reports to your manager? To senior management, if different?
- If the manager of a group or department being examined wants to talk to you about the outcome of the audit before your work is complete, how will you handle it?
- In general, will your organization be receptive to the audit?

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Reporting Phase

- Who within your organization will be the first reviewer of the audit report, and why?
- Would you anticipate having to make adjustments to the audit report after senior management reviews the results; if so, why?
- How will your organization typically socialize the type of information found in an audit report?
- Does your organization have a mechanism for tracking audit findings and deficiencies until they are resolved? Is it effective?

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Thank You!

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